

INCREASES IN PUBLIC DEBT AND LONG-TERM BOND LIMITS

(Scheduled for Consideration by the Committee on
Finance, May 3, 1984)

A. Public Debt Limit

Present law

The permanent limit on the public debt is \$1,490 billion. This limit was enacted on November 21, 1983.

Current situation

During April 1984, the outstanding public debt limit has fluctuated between \$1,489.989 billion on April 4 (just \$11 million below the statutory debt limit) and \$1,485.759 billion on April 26. Treasury's daily operating cash balance has varied within a range of \$5.6 billion on April 16 and \$35.2 billion on April 25. Treasury's preferred cash balance is \$25 billion, which includes a \$5 billion allowance for contingencies.

Administration and congressional proposals

Billions of dollars	
Through fiscal years	
<u>1984</u>	<u>1985</u>

Present law: \$1,490 billion

Proposed debt limit levels

Administration request	1,589.0	1,829.0
Senate Budget Committee report	1,596.2	1,843.3
House budget resolution	1,595.8	1,834.2

Related unified budget deficits

Administration	177.8	179.0
Senate Budget Committee	189.9	180.7
House budget resolution	189.0	175.5

Timing requirement

On May 15, 1984, Treasury will pay about \$12 billion in semiannual interest payments on outstanding bonds. Treasury stated in its testimony on April 12, 1984, before the Subcommittee on Taxation and Debt Management that the statutory debt limit would have to be increased by May 15 to assure that it will be able to make the interest payments on that date and not default on these obligations.

B. Long-term Bonds

Present law

Treasury has authority to issue \$150 billion of long-term bonds (securities issued with maturities greater than 10 years) with interest rates above the statutory 4-1/4 percent ceiling. In testimony before the subcommittee, Treasury stated that it will exhaust the \$150 billion authority early in calendar year 1985, assuming that the recent pattern of issuing long-term bonds is continued. As of March 31, 1984, there were about \$137 billion of bonds outstanding under the exception.

Administration Request

The Administration has proposed--as its first preference--repeal of the 4-1/4 percent interest rate ceiling.

As its second preference, Treasury has requested an increase of \$50 billion--to a total \$200 billion--in the exception from the 4-1/4 percent ceiling. Treasury stated the increase would meet its needs through calendar year 1985.